MCI
MCI Communications Corporation
1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 2375

Kimberly M. Kirby
Senior Manager
FCC Affairs

ORIGINAL

EX PARTE OR LATE FILED

RECEIVED
MAR 3 1997
Federal Communications Commission
Office of Secretary

March 3, 1997

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

Re: Ex Parte Presentation in CC Docket No. 96-262

Dear Mr. Caton:

On Friday, February 28, 1997, Tim Price, President and Chief Operating Officer of MCI Telecommunications Corporation, Jonathan Sallet, Chief Policy Counsel of MCI, and Brad Stillman, Senior Counsel also of MCI met with Commissioner Susan Ness and Jim Casserly, Senior Legal Advisor to Commissioner Ness. The purpose of the meeting was to discuss MCI's position in the above captioned proceeding as filed in MCI's comments. Attached is a brief outline of the topics discussed.

Due to the late hour of the meeting, two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules the next business day.

Sincerely,

Kimberly M. Kirby

Kimberly M. Kirby

Attachment

cc: Commissioner Susan Ness
Mr. Jim Casserly

No. of Copies rec'd 021
List ABCDE

Roadmap to Competition

MCI Communications Corporation

February 28, 1997

MCI

MCI ... Entering the Local Market

- MCI Has Switches and Rings In 19 Markets In 14 States
- By 4Q 1997 MCI's Local Service Facilities Will Expand to 31 Markets
- MCI Will Be Expanding Our Reach To Serve Business And Residential Customers

MCI

Access Reductions Have Been Flowed Through To Long Distance Consumers

- Local Telephone Monopolies Claim that During the Past Five Years, Access Charges Have Declined by about $9 Billion.*

- Actual Savings Passed on to Consumers During the Same Period Have Been Approximately $51 Billion.**

****"USTA Comments on FCC Access Charge NPRM," The United States Telephone Association, December 23, 1996***

*****"Long-distance: Public Benefits from Increased Competition," Robert E. Hall, Stanford University, October 1993, updated 1994.***

MCI

Estimates of Decline in Toll Rates and Access Costs					
	1992	**1993**	**1994**	**1995**	**$ Change**
Revenue/Minute	$0.1663	$0.1550	$0.1439	$0.1346	$ (0.0317)
Access Charge/Minute	$0.0651	$0.0598	$0.0568	$0.0519	$ (0.0132)

*Source: FCC: Telecommunications Industry Revenue; TRS Fund Worksheet Data, 12/96, adjusted for inflation using CPI

A Market-Based Approach Will Not Work to Reduce Access Charges:

- **Where There Can Be No Competition:**
  Terminating Access

- **Where Competition Has Not Yet Arrived**
  - Difficulties in Obtaining Interconnection and Access
  - Time and Capital-Intensive Steps Needed to Provide Competitive Local Service
  - ILECs Can Charge Higher Access Rates for Consumers Without A Competitive Alternative

MCI

State Regulators Support Prescriptive Approach

- "[W]e believe carrier access charges reductions of 50% or more over the next few years should be achievable over the next few years without any transfer of costs to local service." New York Department of Public Service

- "We agree that a prescriptive approach, in the form of phased reductions to access charges, would move prices towards economic costs more quickly." Florida Public Service Commission

- "In general, Texas PUC advocates use of a prescriptive approach initially, with transition to a market-based approach when true competition exists." Texas Public Utility Commission

MCI

How FCC Can Move Access To Cost

- Adjustments to LEC Price Cap Productivity Factor
- Reinitialize LEC Price Cap to Reflect Actual Cost of Capital
- Bring Terminating Access to Cost
- Create Targets for Originating Access Reductions if Competition Fails to Develop

MCI

No Significant Impact on RBOC Revenues

- **Analysts**
  - "Evidence increasingly suggests that access charges paid by long distance carriers to LECs will decline dramatically over the next several years." ***Morgan Stanley, Comfort/Kennedy/Flynn, December 4, 1996***
  - "For 1997, we have assumed access rates decline 15%, much greater than historical 4-5% reductions.... For 1998, we estimate a 25% decrease in access rates...." ***Morgan Stanley, David Togut, January 17, 1997***

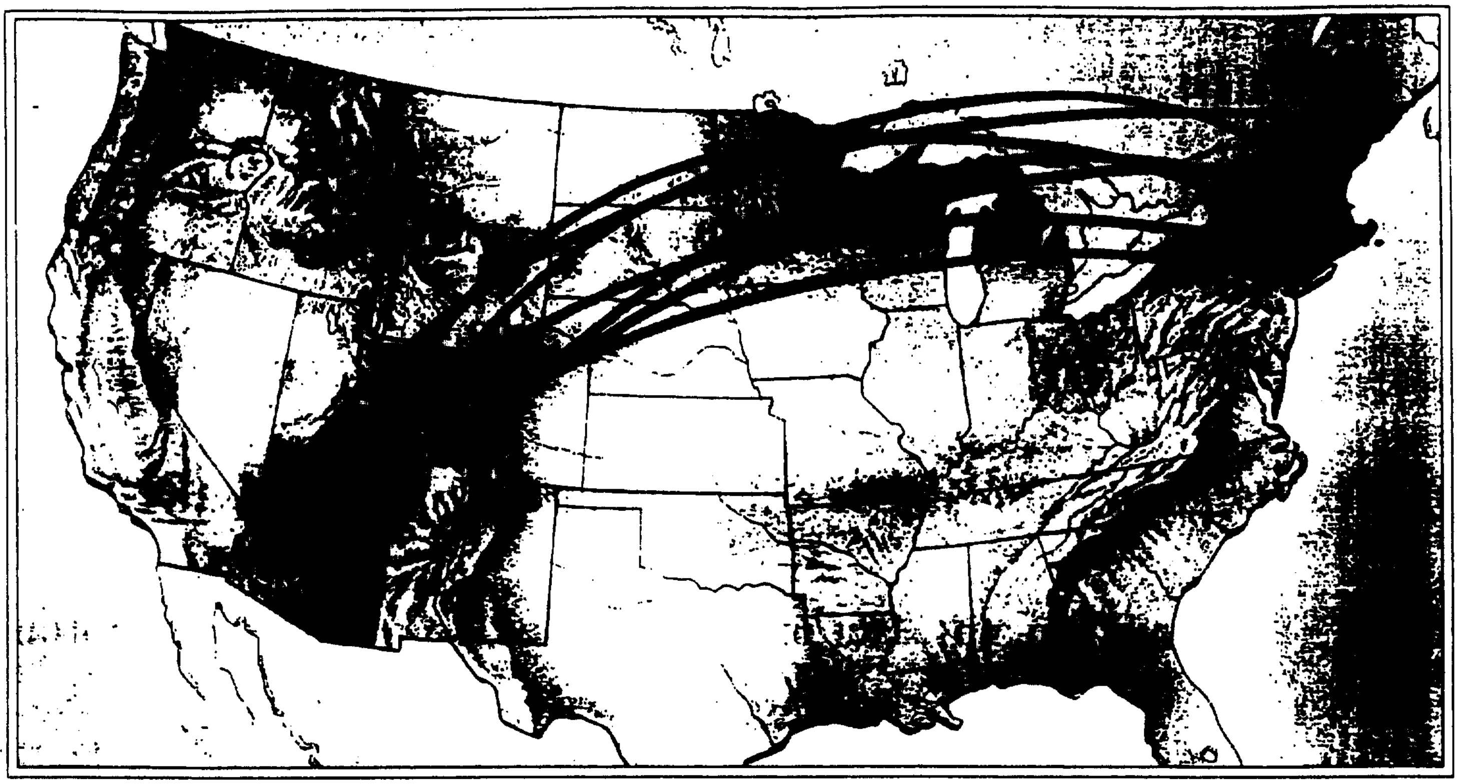
MCI

CONCLUSION

- With Mandated Access Charge Reductions Consumers Will See Lower Prices And Competition Will Come More Quickly

- Without Mandated Reductions In Access Charges Competition In The Local And Long Distance Markets Will Be Impaired

MCI



Nonstop connections to the Northeast 13¢.

Call nonstop. Around the clock. For one great price.

It's the Northeast Plan from NYNEX Long Distance℠. Now you can connect with the people you know in New York and New England for just 13¢ a minute, all the time. As for the rest of the U.S., Puerto Rico and the U.S. Virgin Islands, it's only 4¢ more a minute.

Just spend $10 on long distance, and you'll get simple flat rates. Spend under $10, and you'll still get the same great rates. All you'll pay extra is the difference between your long distance calls and the $10.

Switch now and get three hours free.

Make the switch to NYNEX Long Distance, and you'll get three hours of domestic long distance calls free. That's an hour each month for your first three months. So stop what you're doing. Make the switch. Make the call.

NYNEX.
Long Distance

1-800-979-5123